

Federal Emergency Management Agency

Washington, D.C. 20472

MEMORANDUM FOR: Regional Directors
Regions I-X

ATTENTION: Mitigation Division Directors
FROM: Richard W. Krimm
Executive Associate Director
Mitigation Directorate

DATE 24-DEC-96

SUBJECT: Hazard Mitigation Grant Program: Inclusion/Exclusion of
Federal and Local Costs in Cost Effectiveness Evaluations

This memorandum clarifies who pays for environmental and historical reviews in consideration of HMGP grant applications, and when the cost of these reviews is included in determinations of project cost-effectiveness.

FEMA or other federal agencies usually pay for the administrative costs of fulfilling federal requirements for environmental and historical preservation reviews. Similarly, responsible state and local governments pay for the administrative costs of fulfilling state and local laws in these matters. In both cases, the cost of any measure arising from such reviews shall be considered a project cost and included in cost-effective determinations. Other cost-effectiveness issues will be discussed in forthcoming memoranda and in a new guidance manual on expediting such determinations. This memorandum focuses on whether certain project costs should be included when determining cost-effectiveness.

Exclude from Cost-Effectiveness Determinations

- Costs associated with carrying out *federal* studies and reviews. Examples include historic and environmental reviews for the purposes of the National Environmental Policy Act and reviews triggered by the Clean Water Act, among others. The cost of such reviews and studies is usually borne by the federal government, and shall *not* be considered when evaluating the cost effectiveness of a proposed project. As discussed below, additional direct project costs *generated* by such reviews shall be included when determining cost effectiveness.

Include in Cost-Effectiveness Determinations

- All costs directly related to the hazard mitigation portion of a project. Examples include the costs of construction materials and equipment, labor and land purchases, and the costs of measures arising from federal, state or local reviews or studies. Also included are the costs of any increases in the scope of work generated by local building codes, when the additional work is integral to the hazard mitigation goal of a project. Such “code-triggered upgrades” are discussed in a separate memorandum.
- All *locally*-generated project costs, even though not directly related to construction. Examples include historic reviews, traffic impact studies, interest on loans, permit fees and professional fees such as those for architecture and engineering services.

Please note that *only* the costs of federal study and review shall be excluded from cost effectiveness determinations. The costs of any additional work required as a result of federal study and review shall be *included* in evaluating the cost effectiveness of a project.

If you have any questions on this matter, please call Robert F. Shea, Jr., Director, Program Implementation Division, at 202-646-3619.